



Date: April 2, 2019

To: Patrick H. West, City Manager *T.W.*

From: Linda F. Tatum, FAICP, Director of Development Services *LT*

For: Mayor and Members of the City Council

Subject: **One-Year Report on the Accessory Dwelling Unit (ADU) Ordinance Background Information on ADU Lot Size Recommendation**

At its March 5, 2019 meeting, the City Council considered changes to the ADU Ordinance mandated by the California Coastal Commission (Coastal Commission) regarding the minimum lot size that staff recommended be applied citywide. Development Services Department staff also presented a summary one-year report on the status of the City's ADU Ordinance. The purpose of this memo is to provide a fuller reporting of the implementation of the ADU Ordinance, and to provide additional context and background regarding staff's recommendation for citywide application of the recommended minimum lot size.

The ADU Adoption Process

State ADU legislation took effect on January 1, 2017, informed by ADU Guidelines published by the California Department of Housing and Community Development (HCD) prescribing that local ordinances are only valid if they provide a reasonable ability to construct an ADU on a majority of single-family and duplex lots, and that local restrictions on ADUs are allowed only insofar as the restrictions relate to a physical, health or safety concern.

On February 21, 2017, the City Council directed staff to prepare a local ADU Ordinance. Staff crafted this Ordinance based on data regarding existing lot characteristics in the city and conformance to other development standards in the zoning code, such as lot coverage, open space, and building size. On June 1, 2017, the Planning Commission held an initial hearing, and on July 6, 2017, recommended an Ordinance to the City Council.

On October 10, 2017, the City Council held its first hearing on the ADU Ordinance and directed staff to revise the development standards to further restrict the ability to construct ADUs. These revisions included increasing the required lot size from 4,800 sq. ft. to 5,200 sq. ft.; increasing the minimum usable open space area required to 30 percent of the gross floor area of the ADU; reducing the maximum size of the ADU to 50 percent of the gross floor area of the primary dwelling or 800 sq. ft., whichever is less; and, requiring parking for ADUs within preferential parking districts.

On December 12, 2017, the City Council approved an ADU Ordinance including the changes noted above, except for the parking requirements, which were found to be legally and practically infeasible. The City Council also requested that staff report back after one-year of implementation of the Ordinance to identify any unforeseen impacts or potential adjustments to the Ordinance that may be necessary. The adopted Ordinance was forwarded by staff to the Coastal Commission for certification and to HCD for review. The Coastal Commission recommendation

for a minimum lot size of 4,800 sq. ft. was presented to the City Council on March 5, 2019, at which time the item was continued for 30 days for further consideration. The information in the one-year review below, as well as other background information, is intended to provide further data and analysis for City Council consideration.

One Year Review – ADU Implementation and Analyses of Impacts

ADU Activity

The 231 ADU applications submitted between January 2017, when State law became effective, and December 2018 are summarized below by the application status and depicted in a series of maps that show their location/distribution throughout Long Beach. In addition to the two years of data shown in the table below and the maps, 19 ADU applications have been submitted to date for 2019.

- 98 ADU building permits issued (Attachment A)
- 36 ADUs constructed (Attachment B)
- 97 ADUs under review (Attachment C)
- 231 Total ADU applications received (Attachment D)

Some applications never complete the plan review process to obtain building permits and of the building permits issued, some never commence construction. This attrition is not unique to ADUs, but to building permit issuance in general.

Calendar Year	ADU Building Permits Issued*
2017	22 (State ADU Regulations)
2018	118 (Local ADU Regulations)
*Permit issuance does not guarantee ADU construction	

Observations and Analysis of ADU Ordinance Implementation

ADUs are of important value to homeowners and to the City's housing supply. This first annual ADU report captures a full year of 2018 data based on the City's ADU Ordinance as well as the limited number of ADU permits issued in 2017 under the provisions of State ADU law. The experiences during this two-year period provided great insight into the complications and limitations of ADU construction.

Construction of an ADU involves physical construction, costing \$200 per sq. ft. or more for new structures; payment of City permits and impact fees averaging \$10,000 or more; and, other costs that some potential applicants may not initially anticipate. Staff has counseled many applicants that anticipated an easy transformation of garage or workshop space into an ADU, which is possible, but requires costly upgrading of foundations, flooring, insulation, ventilation, and, oftentimes, utility systems.

The majority of ADUs permits processed, thus far, involve conversion of existing structures, such as garages. Approximately ten-percent of ADUs involve the legalization of un-permitted or informal dwelling areas already in existence. As a result, there has been no wholesale change in the character, bulk and mass, traffic patterns, or other characteristics of any of Long Beach's many diverse neighborhoods.

The geographic distribution of ADU applications varies citywide with some level of construction in all areas of the city, with the largest number of units constructed in Council Districts 7 and 8. The number of units applied for, and ultimately constructed, does not directly correlate to the number of eligible lots. For example, Council District 5 has the largest number of eligible lots due to the predominance of single-family zoning in the eastern portion of the city, but twice as many ADUs were constructed in Council District 8, despite that area of the city having 65 percent fewer eligible lots than Council District 5.

While the overall level of ADU construction has been at, or below, what was anticipated, the ADUs that are constructed are important not only to their future residents, but to the City's ability to meet its housing production goals as expressed in the Housing Element and Regional Housing Needs Assessment (RHNA). During calendar year 2018 ADUs constituted 43 percent of total housing starts within the city. While 2018 was a light year for multifamily housing starts, it is anticipated that ADUs will continue to be an important component to meet housing production goals.

Overall, no significant impacts associated with ADUs have been reported since the effective date of State legislation on January 1, 2017, during which time the City issued ADU permits pursuant to State guidelines, nor since the effective date of the City's more restrictive local ordinance in January of 2018.

Benefits of ADUs

The construction and rental of ADUs provides multiple benefits to property owners, residents, and the housing market. According to a 2017 study by the UC Berkeley's Terner Center for Housing Innovation, these benefits can include quick, low-cost housing construction, relative to existing primary units, naturally affordable housing without a subsidy, neighborhood stabilization, and reduced displacement.

Construction of new ADUs, increases the housing supply and improves the current supply and demand imbalance, which will lead over time to improved rental pricing and affordability. While ADUs come in all types, many, including garage conversions, result in non-luxury or naturally affordable housing units. The \$50,000 to \$200,000 cost of constructing an ADU is not insubstantial, but remains lower than the cost of constructing a new single-family home and less than the per-unit cost of multifamily construction. Lower construction costs can lead to higher levels of affordability.

New and converted ADUs also provide homeowners additional options for income and stability. For some owners, the conversion of a garage or other area into an ADU provides an additional income stream that makes the primary structure more affordable for the long-term. For other homeowners, the construction of an ADU represents an ability to downsize into a smaller

structure, while remaining in their existing community, ultimately renting out the primary structure and aging in place within the ADU.

ADUs make use of existing street and utility infrastructure without major impacts. They are often referred to as “invisible density” as they increase housing capacity without noticeable visual impacts to the neighborhood as seen from the public sidewalk or street. All ADUs, however, do pay impact fees, which are collected to provide funds for transportation, sewer, school, police, park, and fire facilities. ADU construction, conversion, and legalizations are all reported to the Los Angeles Assessor and are accretive to new property tax revenues for the City.

In legalizing unpermitted or informal housing, ADUs also have a substantial safety and societal benefit. Units constructed without permits may contain fire or other safety problems that endanger the lives of tenants. Additionally, tenants living within such units often lack many formal rights and recourse associated with permitted units. The ADU process allows the City to improve safety and regulatory compliance for the benefit of the tenant and larger community.

Equity Considerations in ADU Distribution Citywide

A consistent standard citywide reflects an equity lens when considering lot size regulations within and outside the Coastal Zone. The other equity consideration relates to the more general ability of ADUs to address historical and ongoing inequities in housing, access, and opportunity throughout Long Beach.

ADUs provide access to single-family neighborhoods with their associated parks, schools, and other amenities, to middle- and lower-income families that would not otherwise be able to own or rent in the area. This broadening of available housing choices can, over time, help to ameliorate past housing discrimination that manifests itself in some areas that remain largely segregated by class (income), and ethnicity.

Lower-income families and persons of color are more likely to be renters than homeowners. Providing rental housing options, particularly small and affordable options integrated into existing communities, can assist in bringing greater diversity to more homogenous neighborhoods. The City's Assessment of Fair Housing (AFH), required and approved by the United States Department of Housing and Urban Development (HUD), directs the City to affirmatively address the issue of creating more diverse neighborhoods through ADUs among other tools.

The availability of ADUs can also have an acute impact on women, particularly lower-income women, in several ways. Supplemental income from an ADU may allow some women (and to lesser degree men) the ability stay home for longer periods of time to care for children or grandchildren. For lower-income women, the availability of ADUs can impact their ability to live close to schools, employment, and child-care facilities. These factors substantially impact not only the ability for a low-income family to pay the bills, but also their level of stress and resulting physical and mental health.

Coastal Commission and HCD Review

The Coastal Commission review of the City's ADU Ordinance involved evaluating consistency with Chapter 3 of the Coastal Act, including the provision of lower-income housing, as well as consistency with the State ADU laws themselves. In evaluating ADU ordinances throughout California, including Long Beach, the Coastal Commission consults with other state agencies, including HCD. In its October 2018 staff report and findings, the Coastal Commission noted that the 4,800 sq. ft. rather than 5,200 sq. ft. lot size was necessary for "increasing the potential for development of lower cost housing." The Coastal Commission also made other minor conforming changes to the City's ADU Ordinance.

The findings regarding lot size, made by the Coastal Commission, were applied to the Coastal Zone in their more limited review, but are not, in fact, differentiated in non-Coastal Zone areas of Long Beach. Housing affordability and availability remain substantial issues in both areas, the City's zoning structure and general makeup and mix of lots and zones, within and outside the Coastal Zone are similar.

After adoption by the City Council, the ADU Ordinance was transmitted to both HCD and the Coastal Commission. Though staff from HCD has informally notified staff of citizen complaints regarding the City's ADU Ordinance relating to lot size, HCD has not taken any formal action. However, failure to maintain a permissive ordinance with all restrictions supported by substantial evidence can lead to litigation or other state/third-party action. Further, an unsupported development standard, can result in greater scrutiny of the City's Element by HCD during in the upcoming 2021 update cycle.

Rationale for Recommended Action

Based on the above information, staff is recommending that the Coastal Commission mandated lot size of 4,800 sq. ft. for an ADU be applied citywide. This change will meet the legislative requirement and intent of State law to provide homeowners the opportunity to construct an ADU unless a specific physical, health or safety reason precludes construction. Staff believes adherence to the 4,800 sq. ft. lot size will better position the City for an upcoming Housing Element update in 2020-2021 and avoid further scrutiny or regulatory review by HCD. The data on ADU applications to date, do not suggest an undue impact should the lot size be reduced to 4,800 sq. ft. In contrast, continued reliance on the 5,200 sq. ft. lot size, unsupported by a factual health and safety basis, may erode the City's compliance with State law and susceptibility to challenge from HCD or other third parties.

The recommended lot size standard of 4,800 sq. ft. does not substantially alter the distribution of eligible lots by geography or Council District throughout the City. As previously discussed, while lots size is one factor in ADU development, the number of eligible lots does not directly correlate to levels of activity. The three tables below illustrate the number of lots at the 5,200 sq. ft. standard, the number of lots between 4,800 sq. ft. and 5,200 sq. ft. and the total number of lots above 4,800 sq. ft.

Current Standard: R1 and R2 lots over 5,200 sq. ft.

Council District	ADU Eligible Lots	Share of Total
1	276	1%
2	2,907	6%
3	5,294	11%
4	6,541	13%
5	14,109	29%
6	2,881	6%
7	7,644	15%
8	4,829	10%
9	4,950	10%
Grand Total	49,431	

Requested Change: R1 and R2 lots between 4,800 and 5,199 sq. ft.

Council District	ADU Eligible Lots	Share of Total
1	33	1%
2	178	3%
3	302	5%
4	80	1%
5	1,963	33%
6	267	5%
7	1,138	19%
8	571	10%
9	1,330	23%
Grand Total	5,862	

Resulting Distribution: R1 and R2 lots 4,800 sq. ft. and up

Council District	ADU Eligible Lots	Share of Total
1	309	1%
2	3,085	6%
3	5,596	10%
4	6,621	12%
5	16,072	29%
6	3,148	6%
7	8,782	16%
8	5,400	10%
9	6,280	11%
Total	55,293	100%

The impact of the recommended lot size does not change the geographic distribution of eligible lots by more than 1 percent in any Council District. Furthermore, the 10 percent increase in available lots, based on 2018 activity, will result in 20 to 30 additional ADUs per year. This amount, however, is significant to the owners and occupants of those properties and cumulatively significant to the City's housing supply over time. This amount is also not significant in terms of

over-burdening any one neighborhood or part of the city with change or impacts from ADUs. An additional 36 ADUs per year would roughly equate to four per Council District.

Considering the need to address the citywide and statewide housing crisis, comply with State law and guidance, staff supports adoption of the 4,800 sq. ft. standard citywide. This would create a consistent set of regulations citywide, easily understandable for property owners, architects and contractors. This change would also be in keeping with best planning practice, which is to maintain a single set of standards for different geographies within a city, unless a specific measurable factor warrants a deviation in regulations.

If you have any questions, please call me at (562) 570-6428.

LFT:CK

ATTACHMENTS

- A: MAP OF ADU LOCATION AND STATUS CITYWIDE
- B: MAP OF ADUs UNDER REVIEW
- C: MAP OF ADU BUILDING PERMITS ISSUED
- D: MAP OF ADU COMPLETED CONSTRUCTION
- E: MAP OF TOTAL ADU APPLICATIONS SUBMITTED BY DISTRICT

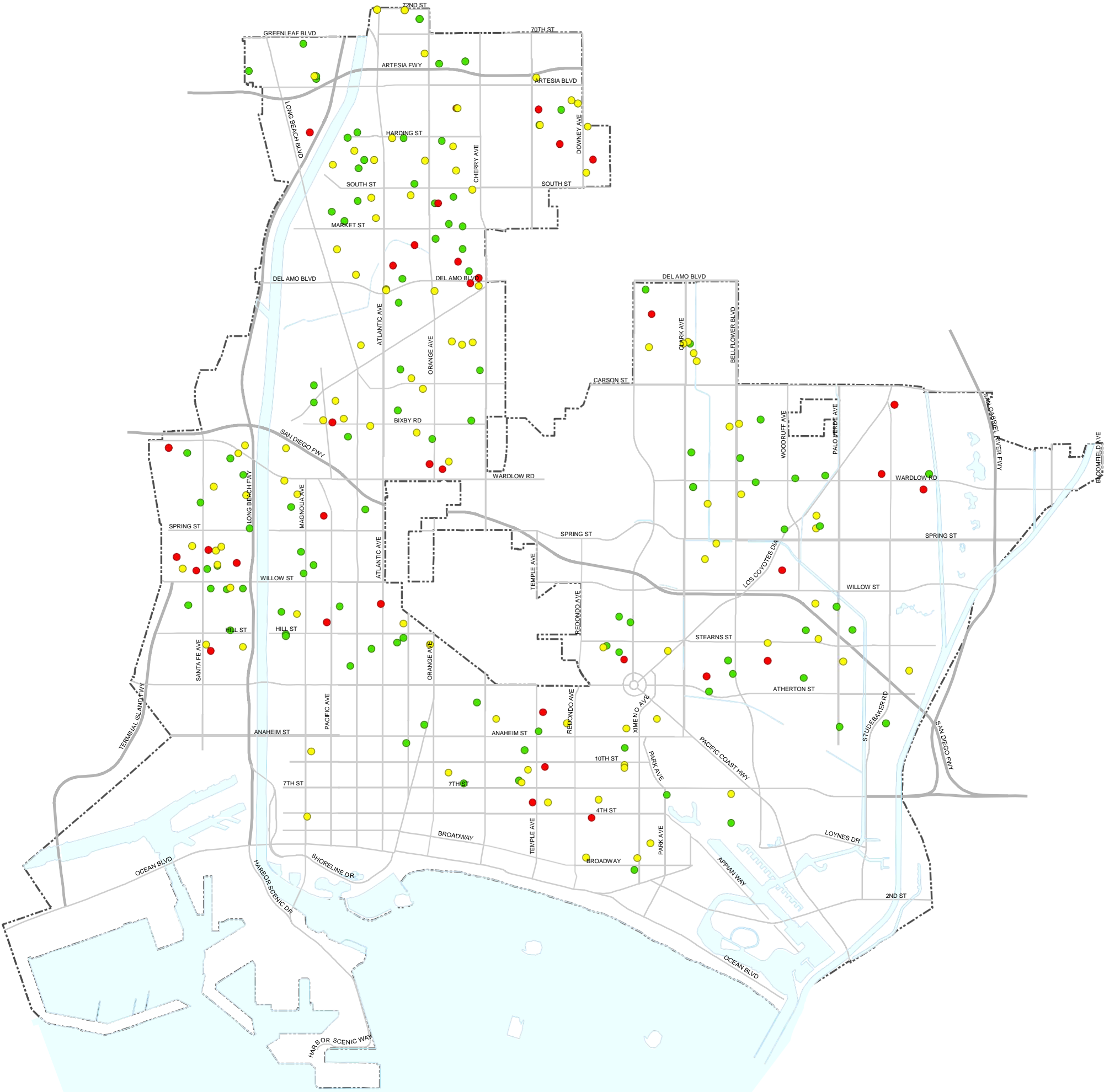
CC: CHARLES PARKIN, CITY ATTORNEY
DOUGLAS P. HAUBERT, CITY PROSECUTOR
LAURA DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
REBECCA GARNER, ADMINISTRATIVE DEPUTY TO THE CITY MANAGER
CHRISTOPHER KOONTZ, PLANNING MANAGER
MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #17-1129, #19-0161)

City of Long Beach
Accessory Dwelling Unit Locations
(January 2017 – December 31, 2018)

LEGEND

Accessory Dwelling Units Status
(231 Applications Received)

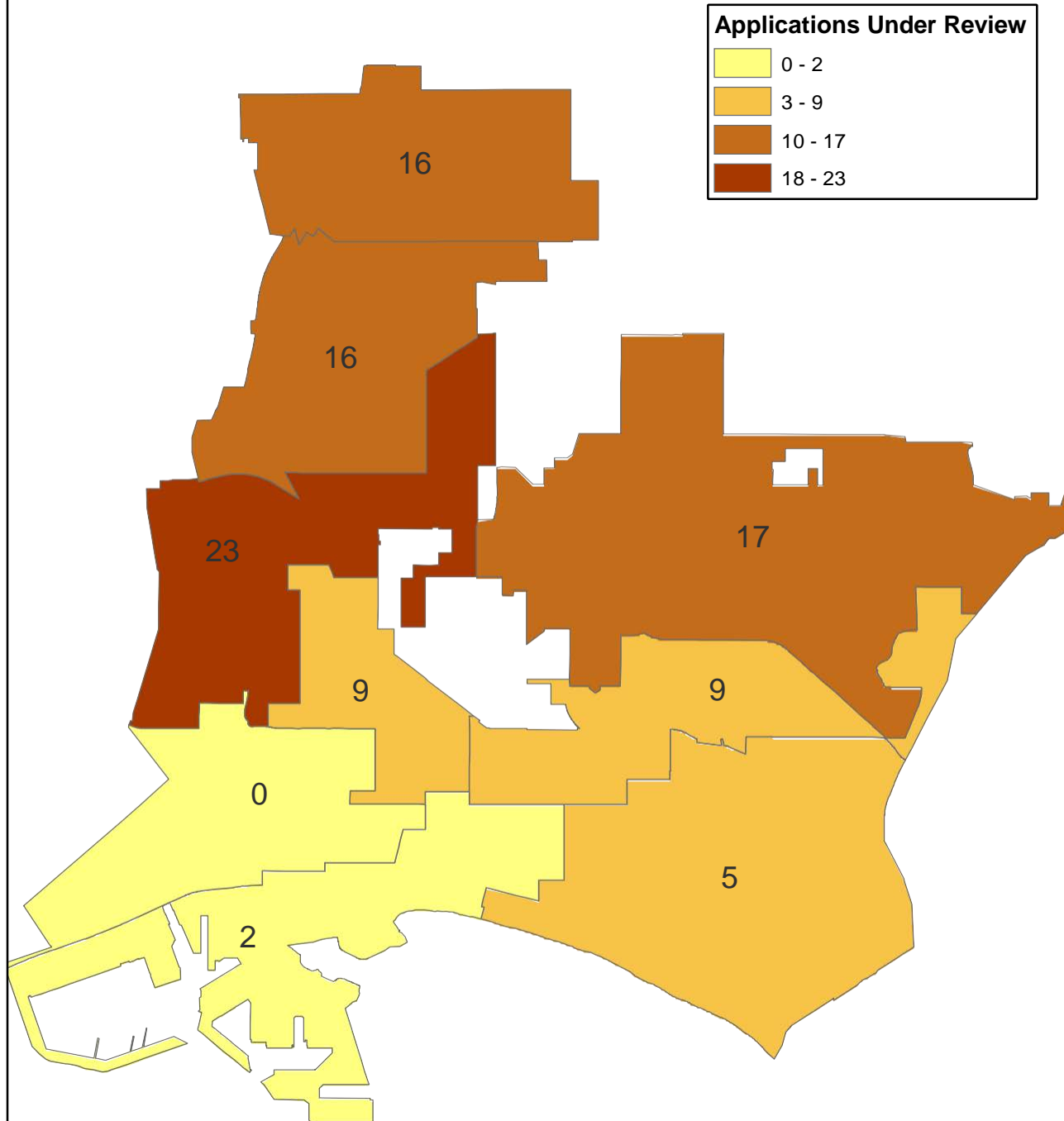
- Application Under Review (97)
- Building Permits Issued (98)
- Construction Completed (36)



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ATTACHMENT B

**Total ADU Applications Submitted Between January 1, 2017
And December 31, 2018 Still Under Review By Council District**



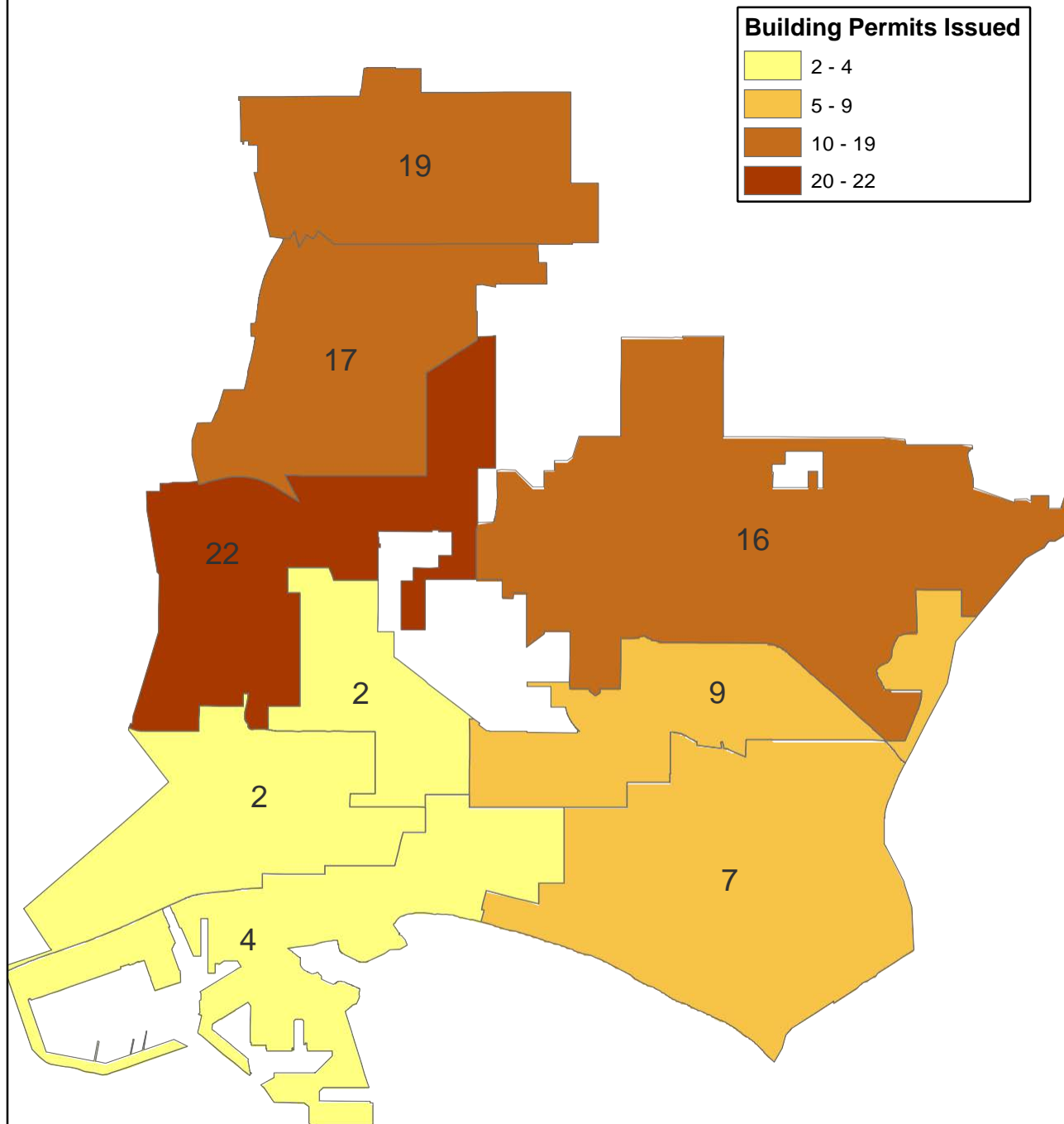
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ATTACHMENT C

Total Building Permits Issued For ADUs Between January 1, 2017 And December 31, 2018 By Council District



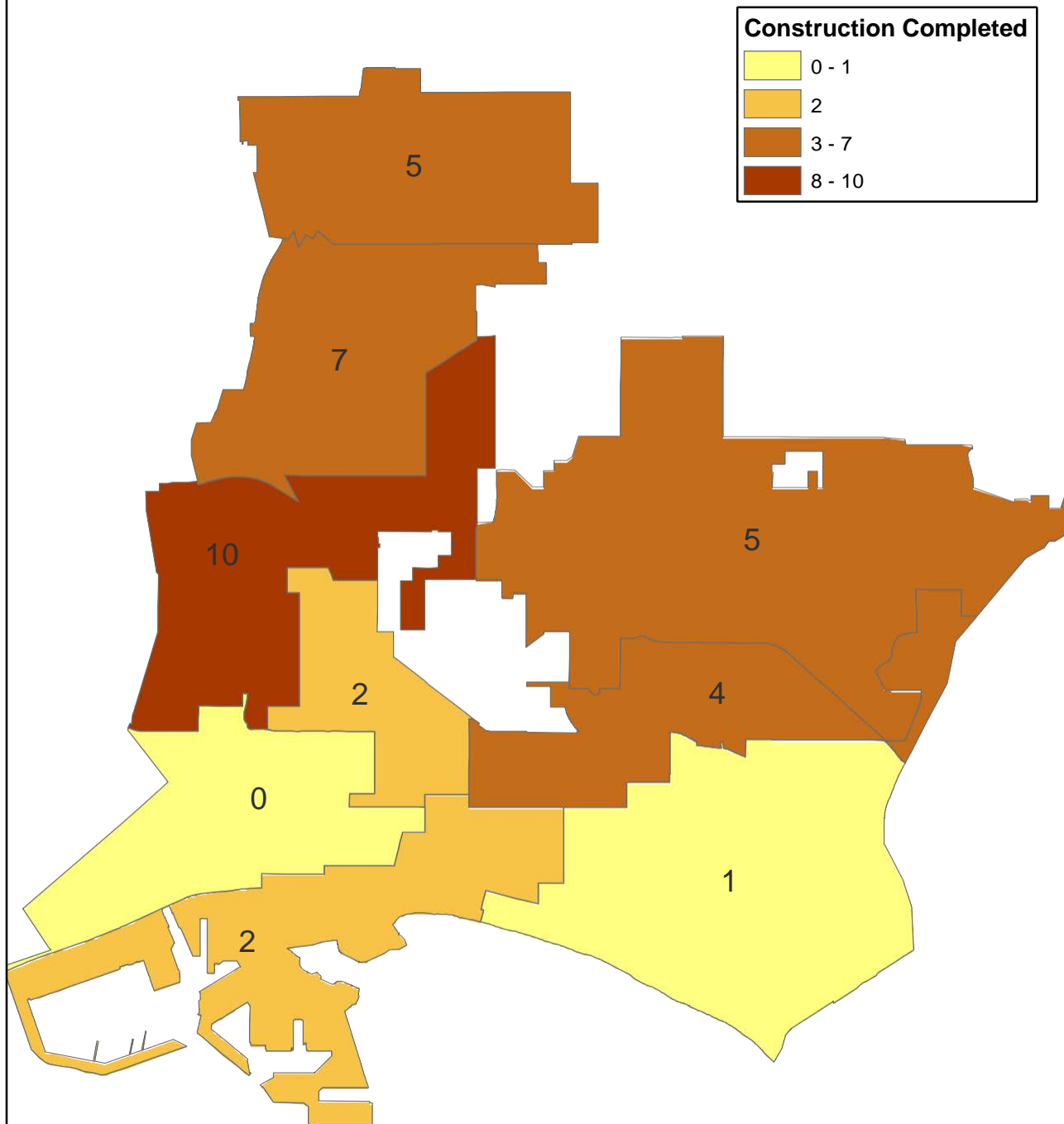
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ATTACHMENT D

**Total ADU's that Completed Construction Between January 1, 2017
And December 31, 2018 By Council District**



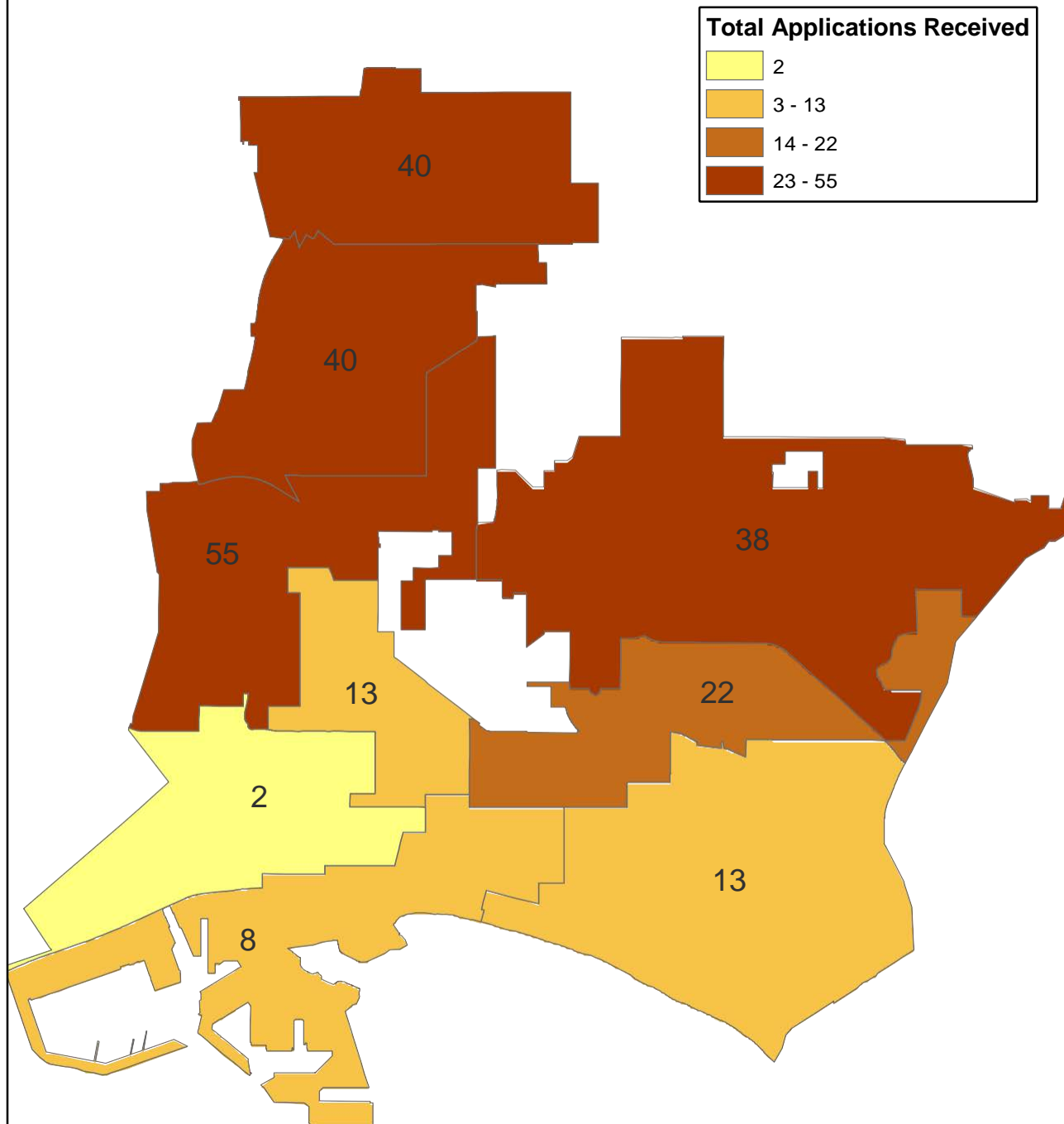
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ATTACHMENT E

Total ADU Applications Received Between January 1, 2017 And December 31, 2018 By Council District



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